Europe must set its own digital rules

Although to the libertarian high priests of the internet, this would be heresy

PHILIP STEPHENS

© James Ferguson

Philip Stephens AUGUST 8, 2019

A new team will shortly tip up at the EU's shiny Brussels Commission. Headed by the German politician Ursula von der Leyen, it will be looking for ways to promote faster economic growth and to maximise European influence in an unstable, unpredictable world. I offer a modest proposal. Europe should build a distinct framework for the digital economy — an ecosystem in which technology businesses flourish on terms set by, well, Europeans.

The fashion is to fret about a splintering of the internet. The founding US model is challenged by China's walled garden. Russia and other authoritarian states are following Beijing's lead. European regulators have been challenging the anti-competitive practices of US technology titans and suggesting they pay a half-decent amount of tax.

For those who did not believe that the cold war marked the end of history and a permanent American hegemony, this fragmentation always seemed pretty inevitable. In spite of the immense

corporate clout of a handful of companies such as Google, Amazon, and Facebook, national political and cultural preferences at some point would assert themselves. The internet has become too big an actor in national political life to remain the property of a bunch of super-rich west coast libertarians.

The pressing question for Europe is whether it is content to hang on the coat-tails of the US and/or China or wants to create its own architecture. The answer should be obvious. If there is an American internet and a Chinese internet, there should also be a European one — a framework in which Europeans can make their own decisions about data and privacy, free expression and state security, and taxation and competition.

No one European nation has the heft to go it alone. But with the General Data Protection Regulation and a series of competition and tax rulings, the European Commission has shown that, acting as one, the EU has the economic and political weight to be a rulemaker rather than rule taker.

For the libertarian high priests of digitalisation all this is a terrible heresy. Nothing could be more damaging than a splintering of the digital world. The web must be a single space, blind to national borders and free of state interference.

Corporate Silicon Valley has other objections. Technological progress, it says, demands no-touch regulation. The disrupters must be free of all constraint to, well, disrupt. Sure, they might scoop up all our personal data without asking permission, indulge in aggressive tax avoidance and blithely ignore competition rules. But the race for machine-learning and artificial intelligence cannot be run on analogue rules.

The pitch, heard from the armies of well-heeled lobbyists deployed by these businesses, is seductive. It is also built on clay. Balkanisation has already happened. The rupture may be at its most obvious in China, but autocratic regimes across the world are building their own national firewalls.

Unpleasant dictators are not alone in their reluctance to cede control to a handful of technology companies. Reasonably enough, democratic governments want some oversight of the digital businesses operating within their borders. They have to answer to their voters. Why should citizens of, say, Munich or Marseille, find that their rights to personal privacy or the balance between upholding free expression and effective security against terrorists is set by the denizens of Palo Alto?

Europeans have their own views about where the market economy should begin and end. They disapprove when companies pay pitiful amounts of tax on billions of dollars in earnings. They ask why such companies imagine themselves exempt from laws designed to prevent them from snuffing out more innovative challengers.

At this point, the lobbyists wheel out the big gun. The future of the world, they whisper, will be decided by the global race to master AI. The US and China are ahead, and Beijing's disdain for privacy rights gives it an edge. So Europe must think hard. Does it want to fall out of the race by setting up a new panoply of rules?

Europe is behind. The mistake is to confuse cause and effect. Europe's problem is not one of over-stringent privacy laws or high digital taxes. Rather, it lacks companies of sufficient scale to compete with the Americans, it struggles to nurture a culture of innovation and it does not produce enough top flight computer scientists. These are not challenges to be met by signing up to American rules.

Even should they want to, European governments cannot avoid public demands for a say in the shaping of the digital future. Advances in machine-learning and AI will increase the potential conflicts. It is not enough to tell those seeking public accountability that when their data are stolen they should have a quiet chat with that nice Mr Zuckerberg, or to protest there is nothing to be done about the way Google rigs its search results.

The outgoing European Commission made a good start by taming some of the worst excesses of the technology giants and setting privacy standards way beyond Europe with GDPR. What is needed now is an architecture for the European internet that includes not just robust competition, tax and privacy oversight, but incentives for research and ways to share Europe's vast public data sets. Otherwise, the spoils will indeed go to China and the US.

philip.stephens@ft.com

Letter in response to this column:

Attitudes that explain why 'Europe is behind' / From Franco Debenedetti, Milan, Italy

FT Digital Energy Summit 2019

London
18 September 2019

Redefining Competition in an Evolving Energy Landscape

Register now

Presented by